

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CHARTER TOWNSHIP OF MADISON	County LENAWEE
Fiscal Year End 12/31/05	Opinion Date 5/17/06	Date Audit Report Submitted to State 6/30/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
☒

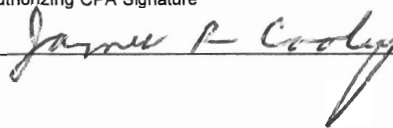
NO  
☐

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON, PLLC		Telephone Number 734-241-7200	
Street Address ONE SOUTH MONROE STREET		City MONROE	State MI
Authorizing CPA Signature 		Printed Name JAMES R. COOLEY	Zip 48161
		License Number 1101005761	

**CHARTER TOWNSHIP OF MADISON**

**ANNUAL FINANCIAL REPORT**

December 31, 2005

# CHARTER TOWNSHIP OF MADISON

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# CHARTER TOWNSHIP OF MADISON

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## Independent Auditor's Report

Board of Trustees  
Charter Township of Madison  
4008 S. Adrian Highway  
Adrian, Michigan 49221

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Madison, Lenawee County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Madison, Lenawee County, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Madison, Lenawee County, Michigan as of December 31, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 47 through 57, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees  
Charter Township of Madison

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Madison, Lenawee County, Michigan basic financial statements. The combining agency fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining agency fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Cooley Hill*  
*Wohlgenuth & Carlton*

May 17, 2006

## CHARTER TOWNSHIP OF MADISON

### Management's Discussion and Analysis Year Ended December 31, 2005

As management of the Charter Township of Madison, Lenawee County, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the governmental and business-type activities of the Township for the year ended December 31, 2005. This information should be taken into consideration before reading the Township's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consist of the financial statements and other supplementary information that presents all the Township's revenues and expenditures by program for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Fund, and Enterprise Fund.

The Government Accounting Standards Board (GASB) adopted this report in *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June, 2000.

#### **Financial Highlights**

- ▶ The assets of the Township exceeded its liabilities at the close of the most recent year by \$17,382,822 (net assets). Of this amount, \$995,382 (unrestricted net assets) may be used to meet the government's ongoing obligations to its' citizens and creditors.
- ▶ The government's total net assets decreased by \$497,152.
- ▶ At the close of the year, the Township's governmental funds reported combined ending fund balances of \$1,001,938, a decrease of \$183,126 in comparison with the prior year. Approximately 93 percent of this amount, or \$927,795, is available for spending at the government's discretion (unreserved fund balance).
- ▶ At the end of the year, the unreserved fund balance for the general fund was \$492,485 or 49 percent of total general fund expenditures.
- ▶ The Township's total bonded debt decreased by \$569,658 during the year. No new debt was issued.

#### **Overview of the Financial Statements**

This report is organized so that the reader can understand the Charter Township of Madison financially as a whole. This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains Required and Other Supplementary Information in addition to the basic financial statements themselves.

## CHARTER TOWNSHIP OF MADISON

### Management's Discussion and Analysis Year Ended December 31, 2005

#### **Government-Wide Financial Statements**

The Government-Wide Financial Statements (pages 11 through 14), which appear first in the Township's financial statements, report information on the Township as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The Statement of Activities presents information showing how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise the change occurs, regardless of the timing of the related cash flows. Thus the revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (i.e., earned but unused vacation leave). The relationship between revenues and expenses indicates the Township's operating results. However, the Township's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Township.

Both of the government-wide statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. These functions can be divided into two following categories:

- ▶ Governmental activities which encompass all the Township's services, including general government services, public safety, and public works. Property taxes, state grants, charges for services, and capital contributions finance most of these activities.
- ▶ Business-type activities which include sanitary sewer and water distribution operations.

The government wide financial and fund financial statements include not only the Township itself (known as the primary government), but also a separate legal entity - the Downtown Development Authority - for which the Township is financially accountable. Because the DDA is considered part of the Township's operations, its data are combined with the primary government as a blended component unit.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State Law and by bond covenants. However, the Township establishes most of its funds to control and manage money for particular purposes or to show that it is properly using revenues. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** - All of the Townships governmental funds are used to account for the same functions as governmental activities in the government-wide financial statements. However, unlike the Government-Wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. They are reported using the modified accrual method, which measures cash and all other financial assets that can be converted to cash. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.



## CHARTER TOWNSHIP OF MADISON

### Management's Discussion and Analysis Year Ended December 31, 2005

Because the focus of the governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided for the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, on pages 17 and 20 respectively, to facilitate this comparison between governmental funds and governmental activities.

The Township maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, DDA, building department, fire department building and apparatus, Stone Cove Point debt service, and road construction funds. All of these governmental funds are considered to be and are presented as major funds.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 15 through 20 of this report.

**Proprietary Fund** - The Township maintains a proprietary fund to account for its sanitary sewer and water distribution operations (Enterprise Fund). Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements.

Proprietary funds provide the same type of information as Government-Wide Financial Statements, only in more detail. The proprietary fund financial statements present information on the Township's sewer and water operations as one major fund.

The basic Proprietary Fund Financial Statements can be found on pages 21 through 24 of this report.

**Fiduciary Funds** - Agency funds are used to account for assets held by the Township as an agent for the collection and disbursement of property taxes and escrow accounts. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The only basic fund financial statement required to be reported can be found on page 25 of this report.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the Fund Financial Statements. The notes to the financial statements can be found on pages 26 through 46.

### **Government-Wide Financial Analysis**

Recall that the Statement of Net Assets provides a long-term perspective of the Township's financial position. As indicated earlier and on Table 1 of the following page assets exceeded liabilities by \$17,382,822 at the close of the most recent year.

By far the largest portion of the Township's net assets (64.6 percent) reflects its investment in capital assets (e.g., land, buildings, systems, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

# CHARTER TOWNSHIP OF MADISON

## Management's Discussion and Analysis Year Ended December 31, 2005

As also depicted in Table 1, the Township's unrestricted net assets totaled \$995,382. This amount represents the accumulated results of all past years operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay all of our bills off today, including all of our noncapital liabilities we could with our current resources. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the calendar year ended December 31, 2005.

**Table 1:**

### Condensed Statement of Net Assets December 31, 2005 and 2004

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current assets	\$2,004,813	\$1,513,260	\$1,154,233	\$1,057,006	\$3,159,046	\$2,570,266
Restricted assets	0	0	4,148,345	4,346,111	4,148,345	4,346,111
Capital and other noncurrent assets, net	1,482,956	1,553,138	16,054,304	16,533,420	17,537,260	18,086,558
<b>Total Assets</b>	<b>3,487,769</b>	<b>3,066,398</b>	<b>21,356,882</b>	<b>21,936,537</b>	<b>24,844,651</b>	<b>25,002,935</b>
Current and other liabilities	1,014,274	292,495	802,638	568,249	1,816,912	860,744
Long-term liabilities	0	48,703	5,644,918	6,213,514	5,644,918	6,262,217
<b>Total Liabilities</b>	<b>1,014,274</b>	<b>341,198</b>	<b>6,447,556</b>	<b>6,781,763</b>	<b>7,461,830</b>	<b>7,122,961</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	1,482,956	1,553,138	9,743,612	9,707,010	11,226,568	11,260,148
Invested in capacity, net of related debt	0	0	94,553	46,675	94,553	46,675
Restricted for:						
Prepaid items	64,233	54,328	0	0	64,233	54,328
Fixed asset replacement	0	51,269	851,900	851,900	851,900	903,169
Debt service and construction	1,841	1,491	4,148,345	4,346,111	4,150,186	4,347,602
Unrestricted	924,465	1,064,974	70,917	203,078	995,382	1,268,052
<b>Total Net Assets</b>	<b>\$2,473,495</b>	<b>\$2,725,200</b>	<b>\$14,909,327</b>	<b>\$15,154,774</b>	<b>\$17,382,822</b>	<b>\$17,879,974</b>

At the end of the year the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets decreased by \$497,152 during the calendar year ended. This decrease is primarily due to a settlement with the state in which the Township must pay back \$862,282 in previously captured taxes in the Downtown Development Authority.

As indicated in Table 2, the cost of all governmental activities this year was \$1.479 million. Of this amount \$0.42 million was subsidized with revenue generated from charges for services, a \$52,148 homeland security grant, with the remaining costs financed with general revenues.

# CHARTER TOWNSHIP OF MADISON

## Management's Discussion and Analysis

Year Ended December 31, 2005

The Township experienced a decrease in net assets of governmental activities of \$251,705. As previously indicated, a significant amount from the DDA fund was paid to Madison Schools and the County as a result of excess captured taxes. This factor had a significant negative impact in the change in net assets for governmental activities.

**Table 2:**

### Changes in Net Assets Year Ended December 31, 2005 and 2004

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
Program revenues						
Charges for services	\$420,295	\$260,848	\$1,018,222	\$864,202	\$1,438,517	\$1,125,050
Operating grants and contributions	0	0	251,740	2,830,275	251,740	2,830,275
Capital grants and contributions	52,148	0	0	0	52,148	0
	472,443	260,848	1,269,962	3,694,477	1,742,405	3,955,325
General revenues						
Property taxes	1,287,875	1,174,087	0	0	1,287,875	1,174,087
State grants (revenue sharing)	488,293	505,614	0	0	488,293	505,614
Interest	50,583	24,716	230,250	137,721	280,833	162,437
Gain on sale of assets	29,749	9,552	0	0	29,749	9,552
	1,856,500	1,713,969	230,250	137,721	2,086,750	1,851,690
<b>Total Revenues</b>	<b>2,328,943</b>	<b>1,974,817</b>	<b>1,500,212</b>	<b>3,832,198</b>	<b>3,829,155</b>	<b>5,807,015</b>
<b>Functions/Program Expenses</b>						
Legislative	25,692	26,880	0	0	25,692	26,880
General government	145,282	136,642	0	0	145,282	136,642
Public safety	787,971	791,837	0	0	787,971	791,837
Public works	57,166	50,572	0	0	57,166	50,572
Other functions	119,110	130,768	0	0	119,110	130,768
Capital improvements	293,562	159,552	0	0	293,562	159,552
Insurance	48,249	49,303	0	0	48,249	49,303
Interest on long-term debt	2,193	2,342	0	0	2,193	2,342
Water department	0	0	611,598	574,714	611,598	574,714
Sewer department	0	0	1,373,202	1,131,002	1,373,202	1,131,002
<b>Total Expenses</b>	<b>1,479,225</b>	<b>1,347,896</b>	<b>1,984,800</b>	<b>1,705,716</b>	<b>3,464,025</b>	<b>3,053,612</b>
Increase (Decrease) in Net Assets Before Transfers	849,718	626,921	(484,588)	2,126,482	365,130	2,753,403
Transfers to other governments	(862,282)	0	0	0	(862,282)	0
Transfers	(239,141)	(196,804)	239,141	196,804	0	0
<b>Increase (Decrease) in Net Assets</b>	<b>(\$251,705)</b>	<b>\$430,117</b>	<b>(\$245,447)</b>	<b>\$2,323,286</b>	<b>(\$497,152)</b>	<b>\$2,753,403</b>

## CHARTER TOWNSHIP OF MADISON

### Management's Discussion and Analysis Year Ended December 31, 2005

#### **Fund Financial Analysis**

As noted earlier, the Township uses funds to help control and manage money for specific purposes. Looking at funds helps the reader consider whether the Charter Township of Madison is being held accountable for resources taxpayers and others provide to it and may give more insight into the Township's overall financial health.

As the Township completed this year, governmental funds reported a combined balance of \$1.001 million, which is a decrease of \$183,126 from last year. The changes by fund, of which all were considered major funds, are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Retirement Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
<b>Fund balances – Beginning of year</b>	\$536,352	\$586,280	\$11,163	\$ 51,269	\$1,185,064
Increase (decrease)	<u>20,366</u>	<u>(135,428)</u>	<u>(1,253)</u>	<u>(66,811)</u>	<u>(183,126)</u>
Fund balances – (deficit)	<u>\$556,718</u>	<u>\$450,852</u>	<u>\$ 9,910</u>	<u>\$(15,542)</u>	<u>\$1,001,938</u>

The Township's General Fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

<b>Revenues</b>	<u>December 31, 2005</u>	<u>December 31, 2004</u>	<u>Percent Change</u>
Property taxes	\$ 173,665	\$161,734	7.38%
Licenses and permits	5,876	1,810	224.64
State revenue sharing	488,293	492,636	(0.88)
Charges for services	11,479	28,754	(60.08)
Interest and rentals	21,685	12,015	80.48
Ambulance	287,866	147,692	94.91
Other	<u>43,836</u>	<u>23,803</u>	84.16
Total Revenues	<u>\$1,032,700</u>	<u>\$868,444</u>	18.91%

## CHARTER TOWNSHIP OF MADISON

### Management's Discussion and Analysis Year Ended December 31, 2005

#### **Fund Financial Analysis - Concluded**

<b>Expenditures</b>	<b>December 31, 2005</b>	<b>December 31, 2004</b>	<b>Percent Change</b>
Legislative	\$ 25,692	\$ 26,880	(4.42)%
General government	145,282	136,642	8.52
Public safety	674,663	679,217	(0.67)
Public works	57,166	50,572	13.04
Other functions	61,282	61,300	-
Insurance	<u>48,249</u>	<u>49,303</u>	(2.14)
Total Expenditures	<u>\$1,012,334</u>	<u>\$1,003,914</u>	0.84%

#### **General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires the Charter Township Board to adopt the original budget prior to January 1, the start of the fiscal year. Over the course of the year the Township reviewed its budget but did not amend or revise it for any unexpected changes in revenues or expenditures. State law requires that the budget be amended to ensure that the expenditures do not exceed appropriations. A schedule illustrating the Township's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these statements. As already mentioned, there were no revisions to the budget during the year.

#### **Long-term Contract, Capital Assets and Debt Administration**

As of December 31, 2005, the Township had \$3.3 million invested in a long term contract with Lenawee County and \$14.1 million invested in a broad range of capital assets, including, land, building and improvements, machinery and equipment, vehicles, and water and sewer systems. Additions which totaled \$90,082 included fire fighting equipment and new vehicles for the water and sewer system. No new debt was issued for these additions. Depreciation this year totaled \$118,810 for governmental activities and \$426,476 for business-type activities. Details regarding capital assets is included in Note 7 to the financial statements.

#### **Debt**

At December 31, 2005, the Township's debt consisted mainly of contracts and general obligation for water and sewage disposal system construction. Total debt outstanding was \$6,273,454 as of December 31, 2005. The repayment of debt will be financed partially by special assessments administered through the Township's Tax Collection Agency Fund which collects special assessments for the Township's Enterprise Fund. A detailed summary of changes in long-term debt is located in Note 8 to the financial statements.

## CHARTER TOWNSHIP OF MADISON

### Notes to Financial Statements Year Ended December 31, 2005

#### **Development of the 2006 Fiscal Year Budget**

Our elected officials considered many factors when setting the Township's 2006 fiscal year budget. Based primarily on the last fiscal year's spending patterns, thought is also given to factors affecting the budget, like decreased revenue sharing from the state, since it accounts for over half of our General Fund revenues. The Township has taken several measures to help control the rising costs of governmental services. We will continue to watch our budget closely as we continue to upgrade our public safety programs and roads using money received from property taxes. To offset the ever increasing costs of the operation of the public safety divisions, adjustments have been made in the charges for ambulance services, both for services within the Township and services to the surrounding units of government.

#### **Economic Factors**

The Township is currently working on the development of a new shopping complex on Treat Highway and U.S. 223, with 691,859 square feet of floor space with Kohl's as the anchor store. As the Township continues to undergo new development, it will collect water and sewer connection fees to be applied against its outstanding debt in the water and sewer fund. Also the extension of sewer service to the western part of the Township is expected to be under construction by the fall of 2006. Also a sewer rehabilitation project on the main discharge line is scheduled for 2006. Estimated costs of sewer work \$1,200,000. The Township completed a rate study to provide a more fair and uniform rate structure for its water and sewer customers. The rate study contracted with Progressive resulted in slight increases in water and sewer rates overall.

#### **Contacting the Charter Township of Madison**

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors, and creditors with a general overview of the Townships finances to demonstrate its accountability for the money it receives. If you have any questions about this report or any of its information, contact the Charter Township of Madison Clerk, 4008 South Adrian Highway, Adrian, MI 49221. Our phone number is 517-263-9313.

# CHARTER TOWNSHIP OF MADISON

## Statement of Net Assets December 31, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and money management accounts	\$766,274	\$425,204	\$1,191,478
Certificates of deposit	761,167	512,598	1,273,765
Investments	126,829	0	126,829
Receivables:			
Accounts	62,165	213,432	275,597
Special assessments	43,621	0	43,621
Interest receivable	13,928	2,744	16,672
Due from other governments	166,596	256	166,852
Prepaid expenses	64,233	0	64,233
<b>Total Current Assets</b>	<b>2,004,813</b>	<b>1,154,234</b>	<b>3,159,047</b>
<b>Restricted assets</b>			
Cash and money management accounts	0	144,497	144,497
Cash with fiscal agent	0	6,798	6,798
Bond financing costs	0	16,360	16,360
Special assessments receivable	0	3,980,690	3,980,690
<b>Total Restricted Assets</b>	<b>0</b>	<b>4,148,345</b>	<b>4,148,345</b>
<b>Noncurrent assets</b>			
Prepaid capacity contract (net)	0	3,415,942	3,415,942
Capital assets:			
Nondepreciated	237,401	510	237,911
Depreciated (net)	1,245,555	12,637,852	13,883,407
<b>Total Non Current Assets</b>	<b>1,482,956</b>	<b>16,054,304</b>	<b>17,537,260</b>
<b>Total Net Assets</b>	<b>\$3,487,769</b>	<b>\$21,356,883</b>	<b>\$24,844,652</b>

See accompanying notes to the basic financial statements

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$19,486	\$88,790	\$108,276
Accrued wages	33,445	2,804	36,249
Other liabilities	13,450	2,065	15,515
Accrued compensated absences	3,330	0	3,330
Accrued interest	0	65,236	65,236
Internal balances	(72,522)	72,522	0
Deferred revenue	87,180	0	87,180
Due to other governments	881,170	0	881,170
Current portion of long-term debt net of related discount	48,735	571,221	619,956
Total Current Liabilities	1,014,274	802,638	1,816,912
<b>Noncurrent liabilities</b>			
Bonds and notes payable(net of related discount)	0	5,644,918	5,644,918
Total Liabilities	1,014,274	6,447,556	7,461,830
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	1,482,956	9,743,612	11,226,568
Invested in capacity net of related debt	0	94,553	94,553
Restricted for:			
Prepaid items	64,233	0	64,233
Fixed asset replacement	0	851,900	851,900
Debt service and construction	1,841	4,148,345	4,150,186
Unrestricted	924,465	70,917	995,382
Total Net Assets	2,473,495	14,909,327	17,382,822
Total Liabilities and Net Assets	\$3,487,769	\$21,356,883	\$24,844,652



# CHARTER TOWNSHIP OF MADISON

## Statement of Activities Year Ended December 31, 2005

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
Legislative	\$25,692	\$0	\$0	\$0
General government	145,282	0	0	0
Public safety	840,282	383,672	0	52,148
Public works	243,909	36,623	0	0
Other functions	66,799	0	0	0
Capital improvements	106,819	0	0	0
Insurance	48,249	0	0	0
Interest on long-term debt	2,193	0	0	0
Total Governmental Activities	1,479,225	420,295	0	52,148
Business-Type Activities:				
Water Department	611,598	325,063	136,014	0
Sewage Department	1,373,202	693,159	115,726	0
Total Business-Type Activities	1,984,800	1,018,222	251,740	0
Total Primary Government	\$3,464,025	\$1,438,517	\$251,740	\$52,148

### General revenues(expenses):

Taxes

Property taxes

Grants and contributions not restricted:

Revenue sharing

Interest

Gain on the sale of assets

Interest on interfund loans

Transfers to other governments

Transfers

Total General Revenues and Transfers

### Change in net assets

Net Assets, January 1, 2005

Net Assets, December 31, 2005

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
(\$25,692)	\$0	(\$25,692)
(145,282)	0	(\$145,282)
(404,462)	0	(\$404,462)
(207,286)	0	(\$207,286)
(66,799)	0	(\$66,799)
(106,819)	0	(\$106,819)
(48,249)	0	(\$48,249)
(2,193)	0	(\$2,193)
(1,006,782)	0	(1,006,782)
0	(150,521)	(150,521)
0	(564,317)	(564,317)
0	(714,838)	(714,838)
(\$1,006,782)	(\$714,838)	(\$1,721,620)
\$1,287,875	\$0	\$1,287,875
488,293	0	488,293
59,283	221,550	280,833
29,749	0	29,749
(8,700)	8,700	0
(862,282)	0	(862,282)
(239,141)	239,141	0
755,077	469,391	1,224,468
(251,705)	(245,447)	(497,152)
2,725,200	15,154,774	17,879,974
\$2,473,495	\$14,909,327	\$17,382,822

# CHARTER TOWNSHIP OF MADISON

## Governmental Funds Balance Sheet

December 31, 2005

	General Fund	Downtown Development Authority	Building Department Fund
<b>Assets</b>			
Cash and money management accounts	\$110,216	\$311,104	\$43,256
Certificates of deposit	50,000	711,167	0
Investments	126,829	0	0
Receivables:			
Accounts, net	62,165	0	0
Special assessments	0	0	0
Interest receivable	464	13,464	0
Due from other funds	83,855	0	0
Due from other governments	166,596	0	0
Prepaid expenses	64,233	0	0
<b>Total Assets</b>	<b>\$664,358</b>	<b>\$1,035,735</b>	<b>\$43,256</b>
<b>Liabilities</b>			
Accounts payable/retainage	\$14,365	\$0	\$3,022
Accrued wages	33,445	0	0
Due to other funds	0	0	6,333
Due to other governments	18,888	862,282	0
Other liabilities	13,450	0	0
Deferred revenues	27,492	0	0
<b>Total Liabilities</b>	<b>107,640</b>	<b>862,282</b>	<b>9,355</b>
<b>Fund Balance</b>			
Reserved for prepaid items	64,233	0	0
Reserved for debt service	0	0	0
Unreserved	492,485	173,453	33,901
<b>Total Fund Balances</b>	<b>556,718</b>	<b>173,453</b>	<b>33,901</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$664,358</b>	<b>\$1,035,735</b>	<b>\$43,256</b>

See accompanying notes to the basic financial statements

Fire Building and Apparatus Fund	Stone Cove Pt Debt Service Fund	Road Construction Fund	Total Governmental Funds
\$270,630	\$7,104	\$23,964	\$766,274
0	0	0	761,167
0	0	0	126,829
0	0	0	62,165
0	43,621	0	43,621
0	0	0	13,928
0	0	0	83,855
0	0	0	166,596
0	0	0	64,233
<u>\$270,630</u>	<u>\$50,725</u>	<u>\$23,964</u>	<u>\$2,088,668</u>
\$0	\$149	\$1,950	\$19,486
0	0	0	33,445
0	0	5,000	11,333
0	0	0	881,170
0	0	0	13,450
27,132	40,666	32,556	127,846
27,132	40,815	39,506	1,086,730
0	0	0	64,233
0	9,910	0	9,910
243,498	0	(15,542)	927,795
243,498	9,910	(15,542)	1,001,938
<u>\$270,630</u>	<u>\$50,725</u>	<u>\$23,964</u>	<u>\$2,088,668</u>

# CHARTER TOWNSHIP OF MADISON

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

December 31, 2005

<b>Total Fund Balances - Governmental Funds</b>		<b>\$1,001,938</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Cost of capital assets	\$2,413,747	
Accumulated depreciation	<u>(930,791)</u>	
		1,482,956

Deferred Revenue is recognized as special assessments revenue on a modified accrual basis as money is collected in the governmental funds. However in the statement of net assets it is recognized as revenue in the year earned or when the special assessment project was completed.

40,666

Long-term liabilities including accrued compensated absences and long-term general obligations are not due and payable in the current year and therefore are not reported in the governmental funds.

Compensated absences	(3,330)	
General obligations	<u>(48,735)</u>	
		<u>(52,065)</u>

<b>Total Net Assets - Governmental Activities</b>		<b><u><u>\$2,473,495</u></u></b>
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See accompanying notes to the basic financial statements

# CHARTER TOWNSHIP OF MADISON

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

December 31, 2005

	General Fund	Downtown Development Authority	Building Department Fund
<b>Revenues:</b>			
Grants	\$0	\$0	\$0
Taxes	173,665	739,727	0
Special assessments	0	0	0
Licenses and permits	5,876	0	67,389
State revenue sharing	488,293	0	0
Charges for services	11,479	0	0
Fines and forfeits	7,213	0	0
Interest and rentals	21,685	30,966	431
Ambulance services	287,866	0	0
Other revenues	36,623	0	0
	<hr/>	<hr/>	<hr/>
Total Revenues	1,032,700	770,693	67,820
	<hr/>	<hr/>	<hr/>
<b>Expenditures:</b>			
Legislative	25,692	0	0
General government	145,282	0	0
Public safety	674,663	0	52,311
Public works	57,166	0	0
Other functions	61,282	15	0
Capital outlay	0	0	0
Insurance	48,249	0	0
Debt service	0	0	0
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,012,334	15	52,311
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues over Expenditures	20,366	770,678	15,509
	<hr/>	<hr/>	<hr/>
<b>Other Financing Sources (Uses):</b>			
Sale of assets	0	0	0
Interest expense	0	(8,700)	0
Transfers to other governments	0	(862,282)	0
Operating transfers (out)	0	(239,141)	0
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	0	(1,110,123)	0
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	20,366	(339,445)	15,509
	<hr/>	<hr/>	<hr/>
Fund Balances - Beginning of Year	536,352	512,898	18,392
	<hr/>	<hr/>	<hr/>
Fund Balances - End of Year	<u>\$556,718</u>	<u>\$173,453</u>	<u>\$33,901</u>

Fire Building and Apparatus Fund	Stone Cove Pt Debt Service Fund	Road Construction Fund	Total Governmental Funds
\$52,148	\$0	\$0	\$52,148
170,227	0	204,256	1,287,875
0	1,834	0	1,834
0	0	3,849	77,114
0	0	0	488,293
0	0	0	11,479
0	0	0	7,213
2,152	2,543	1,506	59,283
0	0	0	287,866
0	0	0	36,623
<u>224,527</u>	<u>4,377</u>	<u>209,611</u>	<u>2,309,728</u>
0	0	0	25,692
0	0	0	145,282
0	0	0	726,974
0	0	186,743	243,909
0	0	0	61,297
71,519	0	89,679	161,198
0	0	0	48,249
0	5,630	0	5,630
<u>71,519</u>	<u>5,630</u>	<u>276,422</u>	<u>1,418,231</u>
153,008	(1,253)	(66,811)	891,497
35,500	0	0	35,500
0	0	0	(8,700)
0	0	0	(862,282)
0	0	0	(239,141)
<u>35,500</u>	<u>0</u>	<u>0</u>	<u>(239,141)</u>
188,508	(1,253)	(66,811)	(183,126)
<u>54,990</u>	<u>11,163</u>	<u>51,269</u>	<u>1,185,064</u>
<u>\$243,498</u>	<u>\$9,910</u>	<u>(\$15,542)</u>	<u>\$1,001,938</u>

## CHARTER TOWNSHIP OF MADISON

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

December 31, 2005

**Net Change in Fund Balances - Total Governmental Funds** (\$183,126)

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$54,379	
Less current year depreciation	<u>(118,810)</u>	
		(64,431)

Deferred revenue is recognized as revenue in the governmental funds as cash is received on a modified accrual basis. However, under the full accrual basis of accounting, special assessment revenue is recognized in the year earned. (1,834)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment of bonds reduces long-term liabilities in the Statement of Net Assets. 3,437

Governmental funds report the proceeds from the sale of capital assets. However in the Statement of Activities, only the gain on the sale of the asset is reported to reflect the benefit derived from the economic resource. (5,751)

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**Change in Net Assets of Governmental Activities** (\$251,705)

See accompanying notes to the basic financial statements



# CHARTER TOWNSHIP OF MADISON

## Statement of Net Assets Proprietary Fund December 31, 2005

	Business-type Activities Enterprise Fund
<b>Assets</b>	
Current Assets:	
Cash and money management accounts	\$425,204
Certificates of deposit	512,598
Accounts receivable	213,432
Interest receivable	2,744
Due from other governments	256
Total Current Assets	1,154,234
Restricted Assets:	
Construction:	
Cash	16,880
Cash with fiscal agent	6,798
Debt retirement:	
Cash	127,617
Bond financing costs(net of amortization)	16,360
Special assessments receivable	3,980,690
Total Restricted Assets	4,148,345
Noncurrent Assets:	
Intangible Assets:	
Lenawee County Sewage Disposal System capacity contract	3,533,733
Less: Accumulated amortization	117,791
Total Intangible Assets	3,415,942
Capital Assets	19,655,463
Less: Allowance for depreciation	7,017,101
Total Capital Assets	12,638,362
Total Noncurrent Assets	16,054,304
Total Assets	\$21,356,883

See accompanying notes to the basic financial statements

	Business-type Activities Enterprise Fund
<b>Liabilities</b>	
Current Liabilities (payable from current assets):	
Accounts payable	\$88,790
Deposit payable	2,065
Accrued payroll	2,804
Accrued interest	65,236
Due to other funds	72,522
	<hr/>
Total Current Liabilities	231,417
Current Liabilities (payable from restricted assets):	
Bonds payable - water	40,000
Contract payable - water	205,000
Contract payable - water	190,000
Contract payable - sewer	136,221
	<hr/>
Total Current Liabilities (payable from restricted assets)	571,221
Noncurrent Liabilities (net of current portion):	
Bonds payable - water	260,000
Contract payable - water(net of \$5,250 discount)	109,750
Contract payable - water	2,090,000
Contract payable - sewer	3,185,168
	<hr/>
Total Noncurrent Liabilities (net of current portion)	5,644,918
	<hr/>
Total Liabilities	6,447,556
<b>Net Assets</b>	
Invested in capital assets(net of related debt)	9,743,612
Invested in sewer capacity(net of related debt)	94,553
Restricted:	
Construction	23,678
Debt Service	4,124,667
Sewer system replacement	851,900
Unrestricted	70,917
	<hr/>
Total Net Assets	14,909,327
	<hr/>
Total Liabilities and Net Assets	<u><u>\$21,356,883</u></u>

# CHARTER TOWNSHIP OF MADISON

## Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds Year Ended December 31, 2005

	Business-type Activities - Enterprise Funds		
	Water Department	Sewer Department	Total
<b>Operating Revenues:</b>			
Charges for services	\$317,991	\$687,128	\$1,005,119
Other revenue	7,072	6,031	13,103
Total Operating Revenues	325,063	693,159	1,018,222
<b>Operating Expenses:</b>			
Wages	51,449	51,449	102,898
Employee benefits	21,597	21,597	43,194
Transmission and distribution	131,819	779,611	911,430
Office expense	0	855	855
Professional fees	23,010	35,936	58,946
Insurance	6,528	6,528	13,056
Utilities	15,148	12,593	27,741
Vehicle expense	2,486	2,485	4,971
Miscellaneous	3,829	2,073	5,902
Depreciation	197,692	228,784	426,476
Amortization	13,087	88,343	101,430
Total Operating Expenses	466,645	1,230,254	1,696,899
Net Operating Income (Loss)	(141,582)	(537,095)	(678,677)
<b>Non-Operating Revenues (Expenses):</b>			
Interest income	103,781	126,469	230,250
Interest and fiscal charges	(144,953)	(142,948)	(287,901)
Total Non-Operating Revenues (Expenses)	(41,172)	(16,479)	(57,651)
Income (loss) before contributions and transfers	(182,754)	(553,574)	(736,328)
<b>Capital contributions</b>	136,014	115,726	251,740
<b>Transfers from other funds</b>	239,141	0	239,141
Change in Net Assets	192,401	(437,848)	(245,447)
Net Assets, Beginning of year, as restated	5,423,737	9,731,037	15,154,774
Net Assets, End of year	\$5,616,138	\$9,293,189	\$14,909,327

See accompanying notes to the basic financial statements

# CHARTER TOWNSHIP OF MADISON

## Statement of Cash Flows Proprietary Funds Year Ended December 31, 2005

	Business-type Activities Enterprise Fund
<b>Cash Flows From Operating Activities</b>	
Cash received from customers	\$960,700
Cash paid to suppliers	(1,012,472)
Cash paid to employees	(102,759)
Water and sewer fund expenses reimbursed to the General fund	(29,151)
Net cash provided by operating activities	(183,682)
<b>Cash Flows From Noncapital Financing Activities</b>	
Transfers from other funds	239,141
Reduction in due from other funds	200,000
Net cash provided by Noncapital Financing activities	439,141
<b>Cash Flows From Capital and Related Financing Activities</b>	
Construction and acquisition of capital assets	(35,699)
Connection fees and special assessments collected	433,094
Payments for Lenawee sewage disposal system capacity contract	(136,221)
Principal payments on contracts and bonds payable	(427,380)
Interest payments on long term debt	(283,379)
Net cash provided (used) by capital and related financing activities	(449,585)
<b>Cash Flows From Investing Activities</b>	
Interest income	230,250
Net increase in cash and cash equivalents	36,124
Cash and cash equivalents at beginning of year	1,052,972
Cash and cash equivalents at end of year	\$1,089,096
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income	(\$678,677)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	426,476
Amortization	101,430
Changes in assets and liabilities:	
Receivables - net of allowances	(57,522)
Accounts payable	54,877
Accrued payroll	139
Due to other governments	(1,254)
Due to other funds	(29,151)
Net cash provided by operating activities	(\$183,682)

See accompanying notes to the basic financial statements

# CHARTER TOWNSHIP OF MADISON

## Statement of Assets and Liabilities Agency Funds December 31, 2005

	Total Agency Funds
<b>ASSETS</b>	
Cash in bank	\$720,437
Taxes receivable	2,046,533
Total Assets	<u>\$2,766,970</u>
<b>LIABILITIES</b>	
Performance bond payable	\$30,950
Due to taxing units	2,736,020
Total Liabilities	<u>\$2,766,970</u>

See accompanying notes to the basic financial statements

## CHARTER TOWNSHIP OF MADISON

### Notes to Financial Statements Year Ended December 31, 2005

#### Note 1      Description of the Township and Reporting Entity

The Township operates under a locally elected seven member Board form of government. The Township provides the following services: public safety (fire protection, police, and ambulance service), road construction, cemetery care, public improvements, planning and zoning, construction code inspections, water and sewer, and general administrative services.

#### Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "*The Financial Reporting Entity*," these financial statements present the Charter Township of Madison (the primary government). The criteria established by the GASB for determining the reporting entity includes fiscal dependency and whether the financial statements would be misleading if the data were not included.

#### Blended Component Unit

##### Downtown Development Authority

The Downtown Development Authority (DDA) is a legally separate entity created by the Township for the purpose of financing the construction of a municipal water system within the DDA district. Because the DDA is considered part of the government operations its data is combined with the data of the primary government.

#### Note 2      Summary of Significant Accounting Policies

The financial statements of the Charter Township of Madison have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The following are more significant of the Township's accounting policies.

#### A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of inter-fund activity has been removed from these statements. Governmental activities which normally are supported by general government revenues (i.e., property taxes, revenue sharing, fines, permits, and charges) and intergovernmental revenues are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by the related program revenues, operating and capital grants. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *Program revenues* must be directly associated with the function or business-type activity. Program revenues include 1) fines and forfeitures, licenses and permits fees, special assessments, and charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds and proprietary funds. Major governmental funds are reported as separate columns in the fund financial statements.

## CHARTER TOWNSHIP OF MADISON

### Notes to Financial Statements Year Ended December 31, 2005

#### Note 2

#### Summary of Significant Accounting Policies (Continued)

##### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (statement of net assets and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to claims and judgments, are recorded only when payment is due.

On the governmental funds statements, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The basic financial statements include both government-wide (based in the Township as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the Township as a whole or major individual funds (within the individual fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental or business-type activities.

In the Government-Wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The Township has elected to treat all of its funds as major funds and accordingly, reports them all in the fund financial statements.

The Township reports the following major governmental funds:

#### General Fund

The General Fund is the primary operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

#### Downtown Development Authority

The Downtown Development Authority is used to account for tax increment financing revenues designated for the planned and orderly revitalization of the Township's downtown business district. Because the activity of the fund is an integral part of the Township's operations it is not separately reported as a component unit but with the activities of the primary government.

## CHARTER TOWNSHIP OF MADISON

### Notes to Financial Statements

Year Ended December 31, 2005

#### Note 2

#### Summary of Significant Accounting Policies (Continued)

#### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

##### Building Department Fund

The Building Department Fund is used to account for all revenues collected from building, mechanical, electrical, and plumbing permit fees that are restricted to enforcement of the Township's construction ordinances.

##### Fire Building and Apparatus Fund

The Fire Building and Apparatus Fund accounts for revenue from the Township's tax collections to be used for fire protection or replacement of equipment.

##### Stone Cove Point Debt Service Fund

The Stone Cove Point Debt Service Fund is used to account the accumulation of resources for, and the payment of, principal, interest, and related costs associated with the Township's long-term obligations.

##### Road Construction Fund

The Road Construction Fund is used to account for the Township's tax collections used for the construction of roads.

The Township reports the following major proprietary fund:

##### Enterprise Funds

The Enterprise Fund is used to account for the operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges, or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewage Disposal Fund is the only Enterprise Fund in this report.

In accordance with GASB Statement 20, the Township has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewage disposal fund are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, amortization, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Additionally, the Township reports the following fund types:



## CHARTER TOWNSHIP OF MADISON

### Notes to Financial Statements Year Ended December 31, 2005

#### Note 2

#### Summary of Significant Accounting Policies (Concluded)

##### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

###### Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. These funds are reported in the fund financial statements only because they do not report resources under the control of the Township. The fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

##### C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### D. Assets, Liabilities, and Net Assets

###### Cash and Cash Equivalents

For purposes of the statement of cash flows for the Proprietary Fund, cash and cash equivalents include cash and money management accounts, restricted cash and money management accounts, cash with fiscal agent, and petty cash.

There were no investing, capital, or financing activities that affected recognized assets or liabilities but did not result in cash receipts or payments in the Proprietary Fund cash flows statements.

###### Due From Other Governments

Amounts due from other governments include amounts due from grantors for specific program and capital projects. Program grants and capital grants for fixed assets are recorded as receivables and revenues at the time the reimbursable project costs are incurred. Revenues received in advance of the project costs being incurred as deferred.

###### Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

###### Restricted Assets

Proprietary Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of resources, such as cash, that can be used only to service outstanding debt.

###### Intangible Assets

Intangible assets acquired as a result of contract provisions are reported in the business type activities column in the government-wide financial statements. Intangible assets that are identifiable, are recorded at their historical cost of development or acquisition, and amortized based on their estimated useful lives not to exceed 40 years. Amortization of intangible assets is charged as a program expense in the statement of activities and as an operating expense in the proprietary fund financial statements.

###### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of at least \$3,000 and an estimated useful life in excess of two years.

## CHARTER TOWNSHIP OF MADISON

### Notes to Financial Statements Year Ended December 31, 2005

#### Note 2

#### Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities, and Net Assets (Continued)

##### Capital Assets (Concluded)

These assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of the normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phases of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year, no interest was capitalized.

Depreciation of all exhaustible capital assets used by the Township is charged as an expense against its various functions. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

	<u>Years</u>
Land improvements	15
Building and building improvements	15-75
Police vehicles	2-3
Fire vehicles	10-20
Ambulance vehicles	10
Public safety equipment	5-20
Township office equipment	5-10

##### Interfund Balances

On the fund financial statements, receivables and payables resulting from short term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

##### Accrued Liabilities and Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long term debt, notes, and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund types statement of net assets.

In general, payables and accrued liabilities that once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds, are recognized as an expenditure on the governmental fund financial statements when due.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as issuance costs during the current period. The face amount of the debt is reported as other financing sources. Premiums and discounts are reported as other financing sources (uses) while issuance costs are reported as expenditures.

## CHARTER TOWNSHIP OF MADISON

### Notes to Financial Statements Year Ended December 31, 2005

#### Note 2      Summary of Significant Accounting Policies (Concluded)

##### D. Assets, Liabilities, and Net Assets (Concluded)

###### Compensated Absences

Township employees are granted vacation and personal days under formulas and conditions in the employees contract or Township policy. The vacation and personal pay are accrued in the government wide financial statements. In the fund financial statements, these amounts are reported when paid as wages.

###### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets and capacity, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

#### Note 3      Stewardship, Compliance, and Accountability Budget Policy and Budgetary Accounting

Budgetary comparison schedules are required to be presented as Required Supplementary Information for the General Fund and each major Special Revenue Fund for which an annual budget has been adopted. Under the new reporting model GASB Statement No. 34 the following information is to be reported:

- Original Budget
- Final Budget
- Actual inflows, outflows and balances on a budgetary basis

The Township has presented the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Project Fund in the Budgetary Comparison Schedules as Required Supplementary Information.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, all Special Revenue Funds, the Capital Project Fund, and the Debt Service Fund. The legal level of budgetary control is the department level. All unexpended appropriations lapse at fiscal year end. The Township does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township supervisor submits to the Board of Trustees a proposed operating budget for the fiscal year beginning Jan 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to December the budget is legally enacted through a Board resolution.
4. Any revisions of the budget must be approved by a Board resolution.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees. There were not individual amendments in relation to the original appropriation.

## CHARTER TOWNSHIP OF MADISON

### Notes to Financial Statements Year Ended December 31, 2005

#### Note 4

#### Deposits and Investments

Statutes authorize the Township to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. Banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, credit unions which are insured with the applicable federal agency.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since the State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Charter Township of Madison Board has authorized five depositories: United Bank & Trust, Bank of Lenawee, Sky Bank, LaSalle Bank, and MBIA Municipal Investors Service, Corp.

Deposits are carried at cost. The carrying amount of deposits is separately displayed on the balance sheet as "Cash and money management accounts", "Certificates of Deposits", "Investments", "Restricted assets: cash in bank", and "Restricted assets: cash with fiscal agent."

*Interest rate risk.* The Township does not have a policy to limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Township does not have an investment policy that will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, and does not limit investments to certain types of securities with low credit risk.

*Concentration of credit risk.* The Township does not have limits on the amount the Township may deposit with any one issuer or backer.

*Custodial credit risk.* Custodial credit risks for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned or the Township will not be able to recover the collateral securities in the possession of an outside party. The Township has \$3,473,804 invested in certificates of deposits, checking accounts, savings accounts, money management accounts and investments. The Township's deposits are insured by the FDIC in the amount of \$400,000, with uninsured deposits of \$3,073,804. The Township's deposits are at institutions with an established record of fiscal health and service. The Township board approves and designates a list of authorized depository institutions. The Township's policy does not address deposit risk.

*Foreign currency risk.* The Township is not authorized to invest in investment which have this type of risk.

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2005

### Note 4      Deposits and Investments (Concluded)

At year end deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>
Cash and cash equivalents	\$1,527,441	\$ 937,802	\$2,465,243	\$720,437
Investments	126,829	-	126,829	-
Restricted cash	<u>-</u>	<u>151,295</u>	<u>151,295</u>	<u>-</u>
	<u>\$1,654,270</u>	<u>\$1,089,097</u>	<u>\$2,743,367</u>	<u>\$720,437</u>

### Note 5      Marketable Securities

The Township reporting conforms to the Government Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." Under GASB 31, investments in U.S. government securities, corporate bonds and certificates of deposit with an original maturity at time of purchase of one year or less are stated at amortized cost. All other investments are recorded at fair value, based on quoted market prices.

Investments are classified into three categories of custodial credit risk as follows:

- Category 1: Insured or registered, or securities held by the entity or its agent in the entity's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name. (This includes the portion of the carrying amount of any repurchase agreement that exceeds the market value of the underlying securities.)

Investments in marketable securities of the General Fund include the following:

	<u>Cost</u>	<u>Fair Value 12/31/04</u>	<u>Purchases</u>	<u>Sales</u>	<u>Subtotal</u>	<u>Fair Value 12/31/05</u>	<u>Change in Fair Value</u>
Category 2:							
Held by Agent:							
Investment Pool	<u>\$123,004</u>	<u>\$123,004</u>	<u>\$3,825</u>	<u>\$ -</u>	<u>\$3,825</u>	<u>\$126,829</u>	<u>\$3,825</u>

### Note 6      Intangible Assets

In an agreement dated May 1, 2002 Lenawee County agreed to construct the Central Lenawee Sewage Disposal System for the benefit of Madison Township and Palmyra Township. The construction was to be financed by the Lenawee County Sewage Disposal Bonds, Series 2003A.

Both Madison Township and Palmyra Township agreed to pay the cost of constructing the facility by paying bond principal and interest payments as they mature based on each Township's share of capacity.

## CHARTER TOWNSHIP OF MADISON

### Notes to Financial Statements Year Ended December 31, 2005

#### Note 6      Intangible Assets (Concluded)

The agreement dated May 1, 2002 states that Lenawee County owns the Central Lenawee County Sewage Disposal System and that the Townships are buying guaranteed capacity for a period of 40 years. Therefore, the \$3,533,733 that Madison Township has agreed to as its share of bond principal has been recorded on the basic financial statements as a capacity contract. The Township is currently amortizing this cost over the period of guaranteed capacity, 40 years. The annual amortization expense will be \$88,343.

Madison Township began using the system in September, 2005. For the year ended 2005 the Township recognized twelve months of amortization expense in the amount of \$88,343.

Amortization expense for each of the following five years and years thereafter are as follows:

2006	\$ 88,343
2007	88,343
2008	88,343
2009	88,343
2010	88,343
2011 to 2044	<u>2,974,227</u>
	<u>\$3,415,942</u>

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2005

### Note 7      Capital Assets

A summary of changes in capital assets follows:

	Balance <u>January 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>December 31, 2005</u>
<u>Government Activities</u>				
Assets not being depreciated:				
Land	\$237,401	\$0	\$0	\$237,401
Capital assets being depreciated:				
Buildings and Building Improvements	759,401	0	0	759,401
Police Vehicles	58,286	0	0	58,286
Fire Vehicles	1,062,821	0	(134,621)	928,200
Fire Equipment	164,356	54,379	0	218,735
Ambulance Vehicles	108,900	0	0	108,900
Ambulance Equipment	75,649	0	0	75,649
Office Equipment	<u>27,175</u>	<u>0</u>	<u>0</u>	<u>27,175</u>
	2,493,989	54,379	(134,621)	2,413,747
Less accumulated depreciation for:				
Buildings and Building Improvements	(198,262)	(12,390)	0	(210,652)
Police Vehicles	(47,625)	(9,841)	0	(57,466)
Fire Vehicles	(583,057)	(62,249)	(128,870)	(516,436)
Fire Equipment	(40,621)	(10,361)	0	(50,982)
Ambulance Vehicles	(31,763)	(10,890)	0	(42,653)
Ambulance Equipment	(22,331)	(9,904)	0	(32,235)
Office Equipment	<u>(17,192)</u>	<u>(3,175)</u>	<u>0</u>	<u>(20,367)</u>
Total accumulated depreciation	<u>(940,851)</u>	<u>(118,810)</u>	<u>(128,870)</u>	<u>(930,791)</u>
Net Capital Assets	<u>\$1,553,138</u>	<u>(\$64,431)</u>	<u>(\$5,751)</u>	<u>\$1,482,956</u>

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2005

### Note 7      Capital Assets (Concluded)

	Balance January 1, 2005	Additions	Deletions	Balance December 31, 2005
<u>Business-type Activities</u>				
Capital assets not depreciated:				
Construction in process	\$510	\$0	\$0	\$510
Capital assets being depreciated:				
Vehicles and equipment	149,972	35,703	0	185,675
Buildings and improvements	31,830	0	0	31,830
Water and sewer lines	19,437,448	0	0	19,437,448
Total Capital Assets	19,619,760	35,703	0	19,655,463
Less accumulated depreciation for:				
Vehicles and equipment	91,067	14,495	0	105,562
Buildings and improvements	9,718	1,273	0	10,991
Water and sewer lines	6,489,840	410,708	0	6,900,548
Total Accumulated Depreciation	6,590,625	426,476	0	7,017,101
Business-Type Activities				
Net Capital Assets	<u>\$13,029,135</u>	<u>(\$390,773)</u>	<u>\$0</u>	<u>\$12,638,362</u>
Depreciation expense was charged to business-type functions as follows:				
Water				\$197,692
Sewer				<u>228,784</u>
Total Depreciation Expense -Business-Type Activities				<u>\$426,476</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public safety	\$113,308
Other functions	<u>5,502</u>
Total depreciation expense - governmental activities	<u>\$118,810</u>



# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2005

### Note 8

### Long-Term Debt

Following is a summary of changes in long-term debt:

	Balance December 31, 2004	Additions	Deletions	Balance December 31, 2005	Due Within One Year
2003 Lenawee County Refunding Bonds for 1992 debt retirement bearing interest at rates 1.0% to 2.5%.	\$515,000	\$0	\$195,000	\$320,000	\$205,000
1995 Water Supply System General Obligation Bonds, bearing interest at rates 4.2% to 6.0%.	345,000	0	45,000	300,000	40,000
1997 contract payable to Lenawee County for water system construction bearing interest at rates 4.8% to 5.0%.	2,470,000	0	190,000	2,280,000	190,000
2003 contract payable to Lenawee County for sewage disposal system construction, bearing interest at rates 3.0% to 4.6%.	<u>3,457,610</u>	<u>0</u>	<u>136,221</u>	<u>3,321,389</u>	<u>136,221</u>
Total Enterprise Fund	<u>6,787,610</u>	<u>0</u>	<u>566,221</u>	<u>6,221,389</u>	<u>571,221</u>
2001 Special Assessment Loan issued with the Bank of Lenawee, to finance the construction of Stone Cove Road, bearing interest at 4.15%.	52,172	0	3,437	48,735	48,735
Compensated absences	<u>3,330</u>	<u>0</u>	<u>0</u>	<u>3,330</u>	<u>3,330</u>
Total General Long-Term Debt	<u>55,502</u>	<u>0</u>	<u>3,437</u>	<u>52,065</u>	<u>52,065</u>
	<u>\$6,843,112</u>	<u>\$0</u>	<u>\$569,658</u>	<u>\$6,273,454</u>	<u>\$623,286</u>

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2005

### Note 8

#### Long-Term Debt (Continued)

##### 2001 Special Assessment Loan

On December 10, 2001, the Township borrowed \$63,000 from the Bank of Lenawee to fund the cost of paving Stone Cove Pointe Road. The loan principal and interest will be repaid from the proceeds of special assessments that are being levied on the real estate along Stone Cove Pointe Road. As of December 31, 2005, \$48,735 of the promissory note was outstanding.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total</u>
06/01/2006	4.150	<u>\$2,017</u>	<u>\$48,735</u>	<u>\$50,752</u>

##### 2003 Lenawee County Refunding Bonds

On August 27, 2003, the County of Lenawee issued \$700,000 of its bonds to partially fund the retirement of the 1992 Contract Payable for Water System No. 3 Construction. On September 15, 2003, Madison Township transferred \$1,141,167 from the Downtown Development Authority to the 1992 Debt Retirement Fund at Lenawee County. The combined proceeds were used to retire the remaining debt of \$1,835,000. The Township has entered into an agreement with the County, whereby the Township has agreed to make annual installment payments to the County in amounts sufficient to enable the County to retire the bond principal and interest as they come due. The Township has pledged its full faith and credit for these contractual payments to the County. As of December 31, 2005, \$320,000 of the contract payable principal was outstanding and it is recorded in the Sewer and Water Fund of the Township.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total</u>
04/01/2006	2.000	\$3,488	\$205,000	\$208,488
10/01/2006		1,437		1,437
04/01/2007	2.500	<u>1,437</u>	<u>115,000</u>	<u>116,437</u>
		<u>\$6,362</u>	<u>\$320,000</u>	<u>\$326,362</u>

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2005

### Note 8

#### Long-Term Debt (Continued)

##### 1995 Water Supply System Bonds

On June 1, 1995, the Township issued \$685,000 of its bonds to fund the cost of improvements to the water system. The bond principal and interest will be repaid from the proceeds of special assessments that are being charged to the users of the system improvements. As of December 31, 2005, \$300,000 of the bonds payable principal was outstanding and it is recorded in the Sewer and Water Fund of the Township.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total</u>
05/01/2006	5.300	\$ 8,463	\$ 40,000	\$ 48,463
11/01/2006		7,402		7,402
05/01/2007	5.400	7,402	35,000	42,402
11/01/2007		6,458		6,458
05/01/2008	5.500	6,458	40,000	46,458
11/01/2008		5,358		5,358
05/01/2009	5.600	5,358	40,000	45,358
11/01/2009		4,237		4,237
05/01/2010	5.700	4,237	40,000	44,237
11/01/2010		3,097		3,097
05/01/2011	5.800	3,097	40,000	43,097
11/01/2011		1,938		1,938
05/01/2012	5.900	1,938	25,000	26,938
11/01/2012		1,200		1,200
05/01/2013	6.000	1,200	20,000	21,200
11/01/2013		600		600
05/01/2014	6.000	600	10,000	10,600
11/01/2014		300		300
05/01/2015	6.000	<u>300</u>	<u>10,000</u>	<u>10,300</u>
		<u>\$69,643</u>	<u>\$300,000</u>	<u>\$369,643</u>

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2005

### Note 8

#### Long-Term Debt (Continued)

##### 1997 Contract Payable to Lenawee County for Water Bonds

On July 1, 1997, the County of Lenawee issued \$3,460,000 of its bonds to partially fund the cost of improvements to the water system of the Charter Township of Madison. The Township has entered into an agreement with the County whereby the Township has agreed to make annual installment payments to the County in amounts sufficient to enable the County to retire the bond principal and interest as they come due. The Township has pledged its full faith and credit for these contractual payments to the County. As of December 31, 2005, \$2,280,000 of the contract payable principal was outstanding and it is recorded in the Sewer and Water Fund of the Township.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total</u>
05/01/2006	4.875	\$ 56,668	\$ 190,000	\$ 246,668
11/01/2006		52,036		52,036
05/01/2007	4.875	52,036	190,000	242,036
11/01/2007		47,405		47,405
05/01/2008	4.900	47,405	190,000	237,405
11/01/2008		42,750		42,750
05/01/2009	5.000	42,750	190,000	232,750
11/01/2009		38,000		38,000
05/01/2010	5.000	38,000	190,000	228,000
11/01/2010		33,250		33,250
05/01/2011	5.000	33,250	190,000	223,250
11/01/2011		28,500		28,500
05/01/2012	5.000	28,500	190,000	218,500
11/01/2012		23,750		23,750
05/01/2013	5.000	23,750	190,000	213,750
11/01/2013		19,000		19,000
05/01/2014	5.000	19,000	190,000	209,000
11/01/2014		14,250		14,250
05/01/2015	5.000	14,250	190,000	204,250
11/01/2015		9,500		9,500
05/01/2016	5.000	9,500	190,000	199,500
11/01/2016		4,750		4,750
05/01/2017	5.000	<u>4,750</u>	<u>190,000</u>	<u>194,750</u>
		<u>\$683,050</u>	<u>\$2,280,000</u>	<u>\$2,963,050</u>

##### 2003 Contract Payable to Lenawee County for Sewage Disposal System Bonds

On April 16, 2003, the County of Lenawee issued \$4,410,000 of its bonds to fund the costs of constructing, maintaining and operating a sewage disposal system within the County, with the Charter Township of Madison's share equaling \$3,533,733. The sewage disposal system will serve property in the Township of Palmyra and the Charter Township of Madison. The Charter Township of Madison is financing part of their portion of the costs through a settlement it reached with the State of Michigan regarding the connection charges for its prison facilities. The State has agreed to pay Madison \$2,700,000 plus interest, in 240 equal monthly installments.

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2005

### Note 8

#### Long-Term Debt (Continued)

#### 2003 Contract Payable to Lenawee County for Sewage Disposal System Bonds (Continued)

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Totals</u>
04/01/2006		\$82,144		\$82,144
10/01/2006	3.000	82,144	\$170,000	252,144
04/01/2007		79,594		79,594
10/01/2007	3.000	79,594	175,000	254,594
04/01/2008		76,969		76,969
10/01/2008	3.250	76,969	180,000	256,969
04/01/2009		74,044		74,044
10/01/2009	3.375	74,044	180,000	254,044
04/01/2010		71,006		71,006
10/01/2010	3.375	71,006	190,000	261,006
04/01/2011		67,800		67,800
10/01/2011	3.500	67,800	195,000	262,800
04/01/2012		64,388		64,388
10/01/2012	3.650	64,388	200,000	264,388
04/01/2013		60,737		60,737
10/01/2013	3.750	60,737	210,000	270,737
04/01/2014		56,800		56,800
10/01/2014	3.850	56,800	220,000	276,800
04/01/2015		52,565		52,565
10/01/2015	3.950	52,565	225,000	277,565
04/01/2016		48,121		48,121
10/01/2016	4.050	48,121	235,000	283,121
04/01/2017		43,363		43,363
10/01/2017	4.150	43,363	245,000	288,363
04/01/2018		38,278		38,278
10/01/2018	4.250	38,278	255,000	293,278
04/01/2019		32,860		32,860
10/01/2019	4.350	32,860	265,000	297,860
04/01/2020		27,096		27,096
10/01/2020	4.400	27,096	280,000	307,096
04/01/2021		20,936		20,936
10/01/2021	4.500	20,936	295,000	315,936
04/01/2022		14,299		14,299
10/01/2022	4.550	14,299	305,000	319,299
04/01/2023		7,360		7,360
10/01/2023	4.600	7,360	320,000	327,360
		<u>\$1,836,720</u>	<u>\$4,145,000</u>	<u>\$5,981,720</u>
		\$1,836,720	\$4,145,000	\$5,981,720
		x .8013	x .8013	x .8013
Madison Township's portion		<u>\$1,471,764</u>	<u>\$3,321,389</u>	<u>\$4,793,152</u>

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2005

### Note 8

#### Long-Term Debt (Concluded)

#### 2003 Contract Payable to Lenawee County for Sewage Disposal System Bonds (Concluded)

Allocation of debt service costs is based on Madison's share of the system which includes the construction of approximately 8,500 feet of sewer main and its share of the plant capacity based on the total number of residential equivalent units (REU's). As of December 31, 2005, the Charter Township of Madison's allocation is 80.13%.

The annual requirements to pay principal and interest on long-term debt outstanding at December 31, 2005, excluding compensated absences, are as follows:

<u>Fiscal Years</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	<u>\$48,735</u>	<u>\$2,017</u>	<u>\$50,752</u>
<u>Fiscal Years</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$571,221	\$261,138	\$832,359
2007	480,228	242,295	722,523
2008	374,234	225,322	599,556
2009	374,234	209,008	583,242
2010	382,247	192,378	574,625
2011-2015	1,896,366	709,373	2,605,739
2016-2020	1,405,666	323,042	1,728,708
2021-2025	<u>737,193</u>	<u>68,263</u>	<u>805,456</u>
	<u>\$6,221,389</u>	<u>\$2,230,819</u>	<u>\$8,452,208</u>

### Note 9

#### Property Taxes

The Township bills and collects its own property taxes and also taxes for the County of Lenawee, Adrian Public Schools, Madison School District, Sand Creek Community Schools and the Lenawee County Intermediate School District. Collections are accounted for in the Tax Collection Agency Fund. For 2005, the Township levied, on December 31, 2004 1.00 mills for general operating, .9963 mills for fire operating and 1.1955 mills for road maintenance due and payable on February 14, 2005. The valuation for real and personal property totaled \$173,614,047 which was based on December 31, 2004 assessments.

The taxes receivable of \$2,046,533 and the \$2,736,020 liability to the taxing authorities reflected in the Tax Collection Agency Fund relate to the December 2005 tax bills. The Township's share of these taxes will be reflected as revenues in 2005.

## CHARTER TOWNSHIP OF MADISON

### Notes to Financial Statements Year Ended December 31, 2005

#### Note 10 Tax Increment Financing

Tax increment financing is the setting aside of the taxes generated by an increase in the assessed value of the designated properties for a specific purpose.

On March 13, 1990, the Township adopted a Tax Increment Financing Authority plan for the Madison Downtown Development District as allowed under the Downtown Development Act, Act No. 197 of the Public Acts of 1975. The plan is devoted to the planned and orderly revitalization of the downtown business district. For the fiscal year ended December 31, 2005, the Downtown Development Authority Special Revenue Fund recorded \$739,727 as property tax revenue generated from the downtown development district. However, an amount of \$862,282 must be repaid to the County, Schools, and ISD as part of a settlement for excess captured school taxes.

#### Note 11 Segment Information for Enterprise Fund

The Township maintains one Enterprise Fund which provides water and sanitary sewer services to Township residents and businesses. Segment information for the year ended December 31, 2005 follows:

	<u>Combined</u>	<u>Water</u>	<u>Sewer</u>
Operating revenues	\$1,018,222	\$325,063	\$693,159
Depreciation and amortization	527,906	210,779	317,127
Operating income (loss)	(623,800)	(103,129)	(520,671)
Net income (loss) before contributions and transfers	(681,451)	(144,301)	(537,150)
Contributed capital	251,740	136,014	115,726
Property and equipment:			
Additions	35,703		
Bonds and contracts payable	6,221,389		
Total assets	21,356,882		
Total net assets	14,964,204		

#### Note 12 Connection Fees and Special Assessment Receivable

On December 20, 2002, the Charter Township of Madison, Lenawee County, Michigan entered into an agreement with the State of Michigan Department of Management and Budget, Office of Infrastructure Services, acting on behalf of the Michigan Department of Corrections. The agreement outlines the terms and conditions under which the existing sanitary sewer collection facilities at the Gus Harrison Correctional Facility and the Parr Highway Correctional Facility are to be connected to the new Central Lenawee Sewage Disposal System. In consideration for allocating 900 REUs (Residential Equivalent Units) of Madison Township's capacity, the State shall pay a connection charge to Madison Township in the amount of \$2,700,000 (representing 900 REUs at \$3,000 per REU) payable in 240 consecutive monthly installments together with interest on the unpaid balance. Payments were to commence on the first day of the month following the date on which the facilities are connected to the newly completed system with an effective interest rate of 4.22% (the average rate of the Sewage Disposal System Bonds used to fund the construction of the facility). The \$2,700,000 has been included in the Statement of Activities as an operating contribution in the Government-wide Statements and also included in connection fees under Capital Contributions in the Statement of Revenues, Expenses and Changes in Net Assets-Proprietary Funds. As of December 31, 2005 the State had an unpaid balance for sewer connection fees in the amount \$2,589,590. This amount is included in the amount reported for Special assessments receivable in the Statement of Net Assets-Proprietary Funds.

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2005

### Note 12    Connection Fees and Special Assessment Receivable (Concluded)

A summary of the total collections per year remaining due from the state follows:

<u>Year of Collections</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Totals</u>
2006	\$106,758	\$93,356	\$200,114
2007	102,759	97,355	200,114
2008	98,588	101,526	200,114
2009	94,238	105,876	200,114
2010	89,701	110,413	200,114
2011	84,968	115,146	200,114
2012	80,032	120,082	200,114
2013	74,883	125,231	200,114
2014	69,513	130,601	200,114
2015	63,912	136,202	200,114
2016	58,070	142,044	200,114
2017	51,976	148,138	200,114
2018	45,621	154,493	200,114
2019	38,992	161,122	200,114
2020	32,077	168,037	200,114
2021	24,865	175,249	200,114
2022	17,343	182,771	200,114
2023	9,497	190,617	200,114
2024	2,087	131,331	133,418
	<u>\$1,145,880</u>	<u>\$2,589,590</u>	<u>\$3,735,470</u>

### Note 13    Interfund Receivable and Payable Balances

Balances as of December 31, 2005 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:		
Water and Sewer Fund	\$72,522	
Building Department Fund	6,333	
Road Construction Fund	5,000	
Water/Sewer:		
General Fund		\$72,522
Building Department:		
General Fund		6,333
Road Construction Fund:		
General Fund		<u>5,000</u>
	<u>\$83,855</u>	<u>\$83,855</u>



## CHARTER TOWNSHIP OF MADISON

### Notes to Financial Statements Year Ended December 31, 2005

Note 14      Compensated Absences

The Township allows employees to accumulate vacation days; however, did not record any changes in accrued accumulated vacation pay as of December 31, 2005. The accumulated vacation pay is accrued in the government-wide financial statements. In the fund financial statements these amounts are reported when paid.

Note 15      Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Township has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

Note 16      Unemployment Compensation

Effective January 1, 1975, political subdivisions became subject to the Michigan Employment Security Act. The Township, instead of paying regular contributions to the State Unemployment Fund, has elected to make reimbursement payments. Reimbursement payments made during the fiscal year ended December 31, 2005 were \$10,976.

Note 17      Retirement Commitments

Plan Description

The Charter Township of Madison is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS), administered by the State of Michigan. The Township's covered payroll for employees covered by the system for the year ended December 31, 2005 was \$419,962 out of a total of \$638,023.

All full time Township employees are eligible to participate in MERS. Benefits vest after 10 years of service. Township employees who retire at or after age 60 with 10 years, age 55 with 15 years, and age 50 with 25 years of credited service are entitled to an annual retirement benefit of 2.0% of a members five year final average compensation, payable until attainment of the age at which unreduced social security benefits are available (currently age 65 for normal retirement, gradually increasing to age 67). Upon attainment of this age, the benefit reverts to 1.7% of a members five year final average compensation. The system also provides disability retirement allowance, non duty death allowance, duty connected death and post retirement adjustments. These benefit provisions and all other requirements are established by state statute and Township Council resolution.

The Municipal Employees Retirement System of Michigan issues a publically available financial report which may be obtained by writing to MERS, 447 North Canal Road, Lansing, Michigan, 48197.

Funding Policy

Employees contribute 5.0% of their wages to the plan. The Township is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by State statute. The Township's annual required contribution was \$24,064 for the fiscal year ending December 31, 2005. The contribution requirements of plan members and the Township are established by the Township and by the MERS Board of Trustees. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age normal cost method.

Significant actuarial assumptions include 1) a rate of return on the investment of present and future assets of 8.0% per year compounded annually 2) projected salary increases of 4.5% per year compounded annually, attributable to inflation 3) additional projected salary increases ranging from 0.0% to 4.16% per year, depending on age, attributable to seniority/merit and 4) the assumption that benefits will increase 2.5% per year (annually) after retirement.

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2005

### Note 17 Retirement Commitments (Concluded)

#### Funding Policy (Concluded)

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The Township's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years.

#### Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

The contribution to MERS for the year ended December 31, 2005, of \$45,059 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 2004. The Township contributed \$24,064 and employees contributed \$20,995.

#### Three-year Trend Information

	<u>Valuation Ended December 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$315,078	\$359,081	\$403,875
Actuarial accrued liability (entry age)	485,110	511,369	620,479
Unfunded (overfunded) AAL	170,032	152,288	216,604
Funded ratio	65%	70%	65%
Annual covered payroll	367,234	352,840	450,529
UAAL as a percentage of annual covered payroll	46%	43%	48%

### Note 18 Excess of Expenditures over Appropriations

During the year ended December 31, 2005, the Township incurred the following instances of expenditures in excess of amounts appropriated.

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess Expenditures</u>
General Fund	\$982,608	\$1,012,334	\$29,726
Fire Building and Apparatus Fund	50,567	71,519	20,952
Stone Cove Point Fund	5,385	5,630	245
Road Construction Fund	240,000	276,422	36,422

### Note 19 Fund Balance Deficit

Road Construction Fund	\$15,542
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# CHARTER TOWNSHIP OF MADISON

## General Fund

### Schedule of Revenues, Expenditures, and Changes in Fund Balances

#### Budget and Actual

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes:				
Property taxes	\$142,167	\$142,167	\$154,287	\$12,120
Income in lieu of property taxes	16,000	16,000	12,743	(3,257)
Industrial facilities tax	4,664	4,664	3,800	(864)
Penalties & interest on taxes	2,000	2,000	2,835	835
	<u>164,831</u>	<u>164,831</u>	<u>173,665</u>	<u>8,834</u>
Licenses and Permits:				
Business licenses and permits	0	0	5,876	5,876
State Grants:				
State revenue sharing	500,000	500,000	485,558	(14,442)
Liquor license fees	2,300	2,300	2,735	435
	<u>502,300</u>	<u>502,300</u>	<u>488,293</u>	<u>(14,007)</u>
Charges for services	9,600	9,600	11,479	1,879
Fines and Forfeits:				
Fines	5,000	5,000	7,213	2,213
Interest and Rentals:				
Interest	3,000	3,000	8,831	5,831
Property rental	7,000	7,000	10,820	3,820
Equipment rental	0	0	2,034	2,034
	<u>10,000</u>	<u>10,000</u>	<u>21,685</u>	<u>11,685</u>
Ambulance services	222,000	222,000	287,866	65,866
Other Revenue:				
Other revenue	4,050	4,050	36,623	32,573
	<u>917,781</u>	<u>917,781</u>	<u>1,032,700</u>	<u>114,919</u>
<b>Total Revenues</b>				
<b>Expenditures</b>				
Legislative:				
Township Board	26,230	26,230	25,692	538
General government:				
Supervisor	24,200	24,200	19,055	5,145
Elections	3,500	3,500	440	3,060
Assessor	35,200	35,200	33,119	2,081
Attorney	25,000	25,000	22,213	2,787
Clerk	28,861	28,861	30,543	(1,682)
Payroll services	2,450	2,450	2,056	394
Audit	13,000	13,000	9,000	4,000
Treasurer	26,447	26,447	28,856	(2,409)
Total General Government	<u>158,658</u>	<u>158,658</u>	<u>145,282</u>	<u>13,376</u>

# CHARTER TOWNSHIP OF MADISON

## General Fund

### Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Expenditures (Concluded)</b>				
Public Safety:				
Fire protection	\$285,644	\$285,644	\$248,229	\$37,415
Police department	151,992	151,992	155,259	(3,267)
Zoning inspector	5,000	5,000	4,691	309
Ambulance	254,384	254,384	266,484	(12,100)
Total Public Safety	697,020	697,020	674,663	22,357
Public Works:				
Street lighting	35,000	35,000	32,870	2,130
Trash pickup	0	0	17,466	(17,466)
Drains at large	500	500	6,830	(6,330)
Total Public Works	35,500	35,500	57,166	(21,666)
Other Functions				
Planning and zoning	1,000	1,000	1,075	(75)
Zoning board of appeals	650	650	420	230
Board of review	750	750	800	(50)
Cemetery care	2,800	2,800	2,150	650
Township Office	25,000	25,000	56,837	(31,837)
Insurance	35,000	35,000	48,249	(13,249)
Total Other Functions	65,200	65,200	109,531	(44,331)
Total Expenditures	982,608	982,608	1,012,334	(29,726)
Excess (Deficiency) of Revenues Over Expenditures	(64,827)	(64,827)	20,366	85,193
<b>Other Financing Sources (Uses)</b>				
Sale of assets	0	0	0	0
Operating transfers in	65,000	65,000	0	(65,000)
Total Other Financing Sources (Uses)	65,000	65,000	0	(65,000)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	173	173	20,366	20,193
Fund Balances - Beginning of Year	536,352	536,352	536,352	0
Fund Balances - End of Year	<u>\$536,525</u>	<u>\$536,525</u>	<u>\$556,718</u>	<u>\$20,193</u>

# CHARTER TOWNSHIP OF MADISON

## General Fund

### Detailed Budgetary Comparison Schedule Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Legislative</b>				
Township Board:				
Salaries	\$13,680	\$13,680	\$13,680	\$0
Benefits	1,400	1,400	1,047	353
Memberships and dues	8,500	8,500	6,347	2,153
Education	500	500	1,718	(1,218)
Capital outlay	2,000	2,000	0	2,000
Office Expense	150	150	2,900	(2,750)
	26,230	26,230	25,692	538
<b>General Government</b>				
Supervisor:				
Salaries	22,000	22,000	16,996	5,004
Benefits	1,800	1,800	1,300	500
Supplies	100	100	0	100
Education	300	300	759	(459)
	24,200	24,200	19,055	5,145
Elections:				
Fees & wages	1,300	1,300	325	975
Supplies	1,500	1,500	81	1,419
Printing and publishing	700	700	34	666
	3,500	3,500	440	3,060
Assessor:				
Contracted Services	34,200	34,200	33,119	1,081
Appraisal update	1,000	1,000		1,000
	35,200	35,200	33,119	2,081
Attorney:				
Legal fees	25,000	25,000	22,213	2,787
Clerk:				
Salaries	22,461	22,461	22,452	9
Benefits	2,250	2,250	1,718	532
Supplies	50	50	213	(163)
Education	500	500	843	(343)
Printing and publishing	3,500	3,500	5,317	(1,817)
Miscellaneous	100	100	0	100
	28,861	28,861	30,543	(1,682)
Payroll Services:				
Contracted Services	2,400	2,400	2,040	360
Miscellaneous	50	50	16	34
	2,450	2,450	2,056	394
Independent Audit:				
Auditing fees	13,000	13,000	9,000	4,000

# CHARTER TOWNSHIP OF MADISON

## General Fund

### Detailed Budgetary Comparison Schedule Year Ended December 31, 2005 (Continued)

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Treasurer:				
Salaries	\$22,461	\$22,461	\$22,452	\$9
Benefits	1,800	1,800	1,718	82
Supplies	500	500	2,249	(1,749)
Transportation	0	0	0	0
Printing and publishing	1,000	1,000	2,051	(1,051)
Education	300	300	(75)	375
Miscellaneous	386	386	461	(75)
	<u>26,447</u>	<u>26,447</u>	<u>28,856</u>	<u>(2,409)</u>
 Total General Government	 158,658	 158,658	 145,282	 13,376
 <b>Public Safety</b>				
Fire Protection:				
Salaries	157,844	157,844	142,965	14,879
Benefits	40,100	40,100	43,233	(3,133)
Contracted Services	6,000	6,000	9,945	(3,945)
Office supplies	4,200	4,200	3,222	978
Operating supplies	1,200	1,200	792	408
Gas and oil	8,000	8,000	9,034	(1,034)
Uniforms and laundry	5,000	5,000	1,677	3,323
Buildings and grounds maintenance	3,000	3,000	2,257	743
Radio maintenance	4,000	4,000	3,461	539
Other maintenance	8,000	8,000	6,749	1,251
Travel	1,500	1,500	1,210	290
Telephone	12,000	12,000	12,273	(273)
Printing	500	500	113	387
Utilities - electric	8,000	8,000	0	8,000
Utilities - heat	10,000	10,000	0	10,000
Utilities - water(hydrant rental)	300	300	0	300
Memberships and dues	4,000	4,000	4,748	(748)
Training	5,000	5,000	2,462	2,538
Physicals	1,000	1,000	0	1,000
Equipment	3,500	3,500	2,016	1,484
Miscellaneous	2,500	2,500	2,072	428
	<u>285,644</u>	<u>285,644</u>	<u>248,229</u>	<u>37,415</u>

# CHARTER TOWNSHIP OF MADISON

## General Fund

### Detailed Budgetary Comparison Schedule Year Ended December 31, 2005 (Continued)

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Police Protection:</b>				
Salaries	\$92,092	\$92,092	\$99,939	(\$7,847)
Benefits	40,000	40,000	37,275	2,725
Supplies	1,500	1,500	2,012	(512)
Vehicle maintenance	3,000	3,000	1,515	1,485
Training	1,800	1,800	1,284	516
Physicals	600	600	387	213
Fuel	4,000	4,000	4,508	(508)
Dues and subscriptions	1,000	1,000	1,176	(176)
Uniform expense	2,000	2,000	998	1,002
Cell phone	0	0	0	0
Capital outlay	5,500	5,500	6,096	(596)
Miscellaneous	500	500	69	431
	151,992	151,992	155,259	(3,267)
<b>Zoning Inspector:</b>				
Fees	4,500	4,500	4,435	65
Supplies	50	50	0	50
Education	150	150	20	130
Transportation	300	300	236	64
	5,000	5,000	4,691	309
<b>Ambulance:</b>				
Salaries	162,000	162,000	188,992	(26,992)
Benefits	81,384	81,384	68,958	12,426
Vehicles expense	0	0	767	(767)
Supplies	8,000	8,000	7,927	73
Licenses	1,500	1,500	797	703
Education	1,500	1,500	(957)	2,457
	254,384	254,384	266,484	(12,100)
<b>Total Public Safety</b>	<b>697,020</b>	<b>697,020</b>	<b>674,663</b>	<b>22,357</b>
<b>Public Works</b>				
<b>Street Lighting:</b>				
Utilities	35,000	35,000	32,870	2,130
<b>Trash Pickup:</b>				
Contract Services	0	0	17,466	(17,466)
	0	0	17,466	(17,466)
<b>Drains at large</b>	<b>500</b>	<b>500</b>	<b>6,830</b>	<b>(6,330)</b>
<b>Total Public Works</b>	<b>35,500</b>	<b>35,500</b>	<b>57,166</b>	<b>(21,666)</b>

# CHARTER TOWNSHIP OF MADISON

## General Fund

### Detailed Budgetary Comparison Schedule Budget and Actual Year Ended December 31, 2005 (Concluded)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Other Functions</b>				
Planning and Zoning:				
Fees	\$1,000	\$1,000	\$900	\$100
Supplies	0	0	175	(175)
	<u>1,000</u>	<u>1,000</u>	<u>1,075</u>	<u>(75)</u>
Zoning Board of Appeals:				
Fees	600	600	420	180
Miscellaneous	50	50	0	50
	<u>650</u>	<u>650</u>	<u>420</u>	<u>230</u>
Board of Review:				
Fees	700	700	600	100
Supplies	50	50	200	(150)
	<u>750</u>	<u>750</u>	<u>800</u>	<u>(50)</u>
Cemetery Care:				
Fees	800	800	0	800
Maintenance	0	0	1,275	(1,275)
Supplies	2,000	2,000	875	1,125
	<u>2,800</u>	<u>2,800</u>	<u>2,150</u>	<u>650</u>
Township Office:				
Clerical wages	16,500	16,500	22,646	(6,146)
Benefits	0	0	1,686	(1,686)
Repairs and maintenance	0	0	3,422	(3,422)
Printing and Publishing	0	0	4,486	(4,486)
Electric	5,500	5,500	12,536	(7,036)
Heat	0	0	10,127	(10,127)
Supplies	3,000	3,000	1,934	1,066
	<u>25,000</u>	<u>25,000</u>	<u>56,837</u>	<u>(31,837)</u>
Insurance (Bonds & Liability)	<u>35,000</u>	<u>35,000</u>	<u>48,249</u>	<u>(13,249)</u>
Total Other Functions	<u>65,200</u>	<u>65,200</u>	<u>109,531</u>	<u>(44,331)</u>
Total Expenditures	<u>\$982,608</u>	<u>\$982,608</u>	<u>\$1,012,334</u>	<u>(\$29,726)</u>



# CHARTER TOWNSHIP OF MADISON

## Downtown Development Authority

### Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Taxes:				
Property taxes	\$560,095	\$560,095	\$739,727	\$179,632
Interest	4,000	4,000	30,966	26,966
Total Revenues	564,095	564,095	770,693	206,598
<b>Expenditures</b>				
Other Functions:				
Legal expenses	1,000	1,000	15	985
Total Expenditures	1,000	1,000	15	985
Excess of Revenues Over Expenditures	563,095	563,095	770,678	207,583
<b>Other Financing Sources (Uses)</b>				
Interest expense	0	0	(8,700)	(8,700)
Transfers to other governments	(55,554)	(55,554)	(862,282)	(806,728)
Operating transfers out	(209,701)	(209,701)	(239,141)	(29,440)
Total Other Financing Sources (Uses)	(265,255)	(265,255)	(1,110,123)	(844,868)
Excess of Revenues Over Expenditures and Other Uses	297,840	297,840	(339,445)	1,052,451
Fund Balance - Beginning of Year	512,898	512,898	512,898	0
Fund Balance - End of Year	<u>\$810,738</u>	<u>\$810,738</u>	<u>\$173,453</u>	<u>\$1,052,451</u>

# CHARTER TOWNSHIP OF MADISON

## Building Department

### Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2005

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
Building permit fees	\$20,000	\$20,000	\$23,297	\$3,297
Electrical permit fees	18,000	18,000	16,881	(1,119)
Mechanical permit fees	18,000	18,000	11,855	(6,145)
Plumbing permit fees	15,000	15,000	11,786	(3,214)
Plan review fees	2,000	2,000	3,570	1,570
Interest	100	100	431	331
Total Revenues	73,100	73,100	67,820	(5,280)
<b>Expenditures</b>				
Building Inspector:				
Fees	15,000	15,000	13,673	1,327
Mileage	1,000	1,000	1,085	(85)
Supplies	200	200	10	190
Education	500	500	194	306
	16,700	16,700	14,962	1,738
Electrical inspector:				
Fees	15,000	15,000	11,556	3,444
Mileage	500	500	597	(97)
Supplies	100	100	3	97
Education	500	500	431	69
	16,100	16,100	12,587	3,513
Mechanical inspector:				
Fees	15,000	15,000	8,878	6,122
Mileage	500	500	412	88
Supplies	100	100	3	97
Education	500	500	283	217
	16,100	16,100	9,576	6,524
Plumbing inspector:				
Fees	15,000	15,000	6,833	8,167
Mileage	500	500	413	87
Supplies	100	100	5	95
Education	500	500	521	(21)
	16,100	16,100	7,772	8,328
Other:				
Salaries	5,000	5,000	5,000	0
Benefits	800	800	675	125
Dues and subscriptions	100	100	635	(535)
Utilities	750	750	0	750
Auditing fees	1,000	1,000	1,000	0
Miscellaneous	450	450	104	346
	8,100	8,100	7,414	686
Total Expenditures	73,100	73,100	52,311	20,789
Excess (Deficiency) of Revenues Over Expenditures	0	0	15,509	15,509
Fund Balance - Beginning of Year	18,392	18,392	18,392	0
Fund Balance - End of Year	\$18,392	\$18,392	\$33,901	\$15,509

# CHARTER TOWNSHIP OF MADISON

## Fire Building and Apparatus Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Taxes:				
Grants	\$0	\$0	\$52,148	\$52,148
Property taxes	148,090	148,090	153,691	5,601
Income in lieu of taxes	16,000	16,000	12,749	(3,251)
Industrial facilities tax	0	0	3,787	3,787
Interest	200	200	2,152	1,952
Total Revenues	164,290	164,290	224,527	8,089
<b>Expenditures</b>				
Other Functions:				
Capital Outlay	50,567	50,567	71,519	(20,952)
Total Expenditures	50,567	50,567	71,519	(20,952)
Excess (Deficiency) of Revenues over Expenditures	113,723	113,723	153,008	(12,863)
<b>Other Financing Sources (Uses)</b>				
Sale of assets	0	0	35,500	35,500
Total Other Financing Sources (Uses)	0	0	35,500	35,500
Excess of Revenues Over Expenditures and Other Uses	113,723	113,723	188,508	(48,363)
Fund Balance - Beginning of Year	54,990	54,990	54,990	0
Fund Balance - End of Year	<u>\$168,713</u>	<u>\$168,713</u>	<u>\$243,498</u>	<u>(\$48,363)</u>

# CHARTER TOWNSHIP OF MADISON

## Stone Cove Point Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes:				
Assessments	\$1,744	\$1,744	\$1,834	\$90
Assessment interest	2,351	2,351	2,543	192
Interest	0	0	0	0
Total Revenues	4,095	4,095	4,377	282
<b>Expenditures</b>				
Debt Service:				
Principal	3,165	3,165	3,437	(272)
Interest	2,220	2,220	2,193	27
Total Expenditures	5,385	5,385	5,630	(245)
Excess (Deficiency) of Revenues Over Expenditures	(1,290)	(1,290)	(1,253)	37
Fund Balance - Beginning of Year	11,163	11,163	11,163	0
Fund Balance - End of Year	<u>\$9,873</u>	<u>\$9,873</u>	<u>\$9,910</u>	<u>\$37</u>

# CHARTER TOWNSHIP OF MADISON

## Road Construction Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
Property taxes	\$192,000	\$192,000	\$184,421	(\$7,579)
Income in lieu of taxes	0	0	15,291	15,291
Industrial facilities taxes	0	0	4,544	4,544
State shared revenue	0	0	0	0
Permits and fees	500	500	3,849	3,349
Interest	300	300	1,506	1,206
Total Revenues	192,800	192,800	209,611	16,811
<b>Expenditures</b>				
Public works:				
Maintenance and repairs	0	0	186,743	(186,743)
Capital outlay:				
Highways and streets	240,000	240,000	89,679	150,321
Total Expenditures	240,000	240,000	276,422	(36,422)
Excess (Deficiency) of Revenues Over Expenditures	(47,200)	(47,200)	(66,811)	(19,611)
Fund Balance - Beginning of Year	51,269	51,269	51,269	0
Fund Balance (Deficit) - End of Year	<u>\$4,069</u>	<u>\$4,069</u>	<u>(\$15,542)</u>	<u>(\$19,611)</u>

# CHARTER TOWNSHIP OF MADISON

## Agency Funds

### Combining Statement of Changes in Assets and Liabilities Year Ended December 31, 2005

#### CURRENT TAX COLLECTION FUND

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Assets</b>				
Cash in bank	\$796,059	\$3,495,101	\$3,601,673	\$689,487
Taxes receivable	1,975,371	3,564,513	3,493,351	2,046,533
Total Assets	<u>\$2,771,430</u>	<u>\$7,059,614</u>	<u>\$7,095,024</u>	<u>\$2,736,020</u>
<b>Liabilities</b>				
Due to taxing units	<u>\$2,771,430</u>	<u>\$3,564,513</u>	<u>\$3,599,923</u>	<u>\$2,736,020</u>
Total Liabilities	<u>\$2,771,430</u>	<u>\$3,564,513</u>	<u>\$3,599,923</u>	<u>\$2,736,020</u>

#### COUNTRY SIDE ESCROW BOND

<b>Assets</b>				
Cash in bank	<u>\$31,517</u>	<u>\$633</u>	<u>\$1,200</u>	<u>\$30,950</u>
Total Assets	<u>\$31,517</u>	<u>\$633</u>	<u>\$1,200</u>	<u>\$30,950</u>
<b>Liabilities</b>				
Performance bond payable	<u>\$31,517</u>	<u>\$633</u>	<u>\$1,200</u>	<u>\$30,950</u>
Total Liabilities	<u>\$31,517</u>	<u>\$633</u>	<u>\$1,200</u>	<u>\$30,950</u>

#### TOTAL AGENCY FUNDS

<b>Assets</b>				
Cash in bank	\$827,576	\$3,495,734	\$3,602,873	\$720,437
Taxes receivable	1,975,371	3,564,513	3,493,351	2,046,533
Total Assets	<u>\$2,802,947</u>	<u>\$7,060,247</u>	<u>\$7,096,224</u>	<u>\$2,766,970</u>
<b>Liabilities</b>				
Performance bond payable	\$31,517	\$633	\$1,200	\$30,950
Due to taxing units	<u>2,771,430</u>	<u>3,564,513</u>	<u>3,599,923</u>	<u>2,736,020</u>
Total Liabilities	<u>\$2,802,947</u>	<u>\$3,565,146</u>	<u>\$3,601,123</u>	<u>\$2,766,970</u>



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### Report of Comments and Recommendations

#### Board Members:

Our audit of the financial statements of the Charter Township of Madison for the year ended December 31, 2005, was made in accordance with auditing standards generally accepted in the United States of America. These standards require, in addition to obtaining competent evidential matter through inspection, observation, inquiry and confirmation, that we determine that existing internal controls, accounting procedures and accounting records are adequate to allow us to express an opinion on the financial statements of the Township. During the course of our audit, we noted certain practices and procedures which we believe could be changed to improve existing internal controls, accounting procedures and records, and other matters.

We remind you that the following comments, and where appropriate, recommendations are somewhat limited because they are not the result of a detailed systems analysis.

#### Improper and Illegal Actions

Nothing came to our attention during the course of the audit to indicate any improper or illegal actions.

#### Interfund Receivable and Payable Balances

Balances as of December 31, 2005 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:		
Water and Sewer Fund	\$72,522	
Construction Code Fund	6,333	
Road Construction Fund	5,000	
Water/Sewer:		
General Fund		\$72,522
Construction Code:		
General Fund		6,333
Road Construction Fund:		
General Fund		<u>5,000</u>
	<u>\$83,855</u>	<u>\$83,855</u>

#### Chart of Accounts

During the audit we noted many errors in the Township's chart of accounts. We recommend that effective January 1, 2006, the Township start its Fund Balance Program over with a new correct chart of accounts. Any previous financial information prior to December 31, 2005 can be archived and reproduced for future use.

#### Ambulance Revenue

During our review of ambulance revenue, we noted that the revenue as reported by the fire department did not reconcile to the revenue on the general ledger and that amounts collected for and payable to other units of governments did not reconcile to the amounts actually paid to the other units of government.

We recommend the following:

- ▶ Reconcile the fire department's ambulance accounts receivable balance to the general ledger balance on a monthly basis.
- ▶ Reconcile the revenues collected and payable to other units of government to the general ledger on a monthly basis.
- ▶ Put written ambulance revenues policies and procedures in place.

#### Water and Sewer Revenues

During our review of water and sewer revenues, we noted that the revenues on the billing department's computer printouts could not be reconciled to the general ledger. In addition, we noted that the water and billing process internal controls continue to be very weak because the entire process was almost entirely controlled by one person.

We recommend that the Township provide for stronger internal controls by instituting the following:

- ▶ Provide for a greater segregation of duties by involving additional personnel in the billing and collection process.
- ▶ Require prior written approval before adjustments are made to customer billings.
- ▶ Reconcile the billing department's accounts receivable balance to the general ledger balance on a monthly basis.
- ▶ Provide a method of tracing new water and sewer taps into the billing register.
- ▶ Put written water and sewer policies and procedures in place.

#### Sewer Department - Reserve for Sewer Replacement

The Township has reserved \$851,900 of the Water and Sewer Department's net assets for sewer replacement; however, it has not set aside the cash to fund this reserve.

We recommend that the Township set aside the cash to fund this reserve or pass a resolution eliminating the reserve.



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Township Charge Accounts

The Township has several charge accounts with local merchants.

We recommend that a list of these be prepared and submitted to the Township Board for approval and that no other charge accounts be opened without prior Board approval.

Transfers

We recommend that all transfers, including budgeted transfers, be approved in the minutes.

Accounting Policies and Procedures Manual

Because of the growing complexity of the Township's finances and to assist in improving internal control, we recommend the development of an accounting policies and procedures manual. This manual would define procedures and documentation required for various financial transactions such as:

- ▶ Cash receipts
- ▶ Cash disbursements
- ▶ Ambulance service revenues
- ▶ Special assessments
- ▶ Bank account reconciliations
- ▶ Payroll
- ▶ Water and sewer billings

In addition to strengthening internal controls, such a manual would provide for continuity as new staff is hired and new board members are elected.

Budgets

During the 2005 fiscal year, the following funds had expenditures which exceeded appropriations.

	<u>General Fund</u>	<u>Fire Building And Apparatus Fund</u>	<u>Road Construction Fund</u>	<u>Stone Cove Point Fund</u>
Appropriations	\$ 982,608	\$50,567	\$240,000	\$5,385
Expenditures	<u>1,012,334</u>	<u>71,519</u>	<u>276,422</u>	<u>5,630</u>
Total	\$ <u>29,726</u>	\$ <u>20,952</u>	\$ <u>36,422</u>	\$ <u>245</u>

We recommend that the Township Board approve budget amendments before expenditures exceed the budget.

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Deficit Fund Balance

As of December 31, 2005, there was a fund deficit in the Road Construction Fund of \$15,542. The State of Michigan requires that municipalities with deficit fund balances submit a plan to eliminate these deficit fund balances. We recommend that the Township submit this plan as soon as possible.

We also recommend that the Township review its fund balances prior to the end of its fiscal year and take corrective action to prevent fund balance deficits in the future.

It has been a pleasure to serve you and we appreciate the cooperation we received during the audit. We are available to meet with you at any time to answer any questions concerning this letter or the 2005 audit report.

Very truly yours,

*Cooley Hill*  
*W. H. Gamutt & Carlton*

May 17, 2006